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THE
GEORGE WASHINGTON UNIVERSITY
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

STATE AND LOCAL REVENUES

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For
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INTRODUCTION

Although political theorists have been writing for years on the subject of governmental organization and the extent to which various levels of government should perform services for its people, the subject of public finance has been relatively neglected. Yet, any realistic evaluation of a government as a functional entity must inevitably consider the underlying revenue and expenditure structure. It might, in many instances, be argued that financial functions determine the form of organization. And to those who observe everyday, practical governmental operations, it is apparent that few questions arise more frequently than those concerning expenditure and revenue activities.

Recently, the problem of municipal revenues, in particular, has assumed critical importance in many areas where costs of government have outrun income; and local governments face the exasperating choice of either curtailing services or increasing revenues. At the same time, the three levels of government--federal, state, and local--have become more and more competitive in their struggle for sources of revenue; but, by the same token, they have also become more interdependent in their financing and many interesting financial problems and relationships have resulted.

This report considers the interesting problem of state and local revenues; the role of the federal government, though a dominant one, has been introduced only when necessary to place

Introduction

It is a common mistake to think of the State as a mere collection of individuals, or as a mere collection of interests. The State is a living organism, and its life is determined by the interests of its people. The State is a collection of individuals, but it is not a mere collection of individuals. It is a living organism, and its life is determined by the interests of its people. The State is a collection of individuals, but it is not a mere collection of individuals. It is a living organism, and its life is determined by the interests of its people. The State is a collection of individuals, but it is not a mere collection of individuals. It is a living organism, and its life is determined by the interests of its people.

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state and local revenue problems in the proper perspective. The tax system, being the single most important source of revenue, will be given slightly greater emphasis than non-tax revenues, such as grants-in-aid, shared taxes, license fees, etc.. And finally, through brief analyses of revenues in Florida municipalities, Kansas counties, a Maine township, and the State of California, some idea of the various revenue structures that have developed in the United States will be presented.

CHAPTER I

GENERAL BACKGROUND--STATE AND LOCAL REVENUES

Taxation

The present state and local tax system, taken as a whole, has grown slowly since its inception. Some of its features are effectively retained in our present-day system; while others are outmoded; but, because of general public inertia and complacency, have successfully resisted reform. Other features, both good and bad, have originated in emergency legislation or political pressures and have, for various reasons, remained in the system. As a result of this hodge-podge accumulation, therefore, it is becoming increasingly evident that major adjustments in our tax system are required. Secretary of the Treasury Snyder in his statement to the Ways and Means Committee on May 19, 1947, has admirably stated the basic criteria of a desirable tax policy:

The tax system should produce adequate revenue. It should be equitable in its treatment of different groups. It should interfere as little as possible with incentive to work and to invest. It should help maintain the broad consumer markets that are essential for high-level production and employment. Taxes should be as simple to administer and as easy to comply with as possible. While the tax system should be flexible and change with changing economic conditions, it should be possible to achieve this flexibility without frequent revisions of the basic tax structure.

Unfortunately, this idealistic concept of tax policy, while an admirable goal, is too sweeping in its reforms to be practical for present-day application. However, it signals the growing recognition that reforms are required.

The question of taxation as it applies to state and local governments will be treated briefly under four headings: (1) tax powers, (2) tax administration, (3) tax systems, and (4) kinds of taxes.

Tax Powers.--State governments are granted authority by the United States Constitution to levy taxes for revenue purposes, subject to certain limitations. For example, the states are forbidden to levy import, export, and tonnage taxes. Nor can they tax property, functions, activities, or instrumentalities of the national government without the consent of Congress. Also, in the absence of specific action by Congress, the Supreme Court has developed the doctrine that the commerce clause of the U. S. Constitution forbids states the power to tax interstate commerce. However, states may tax corporations and other persons engaged in commerce within the state upon their railroad rights-of-way, their moveable property used within the state, their gross net income earned within the state, their sales within the state, and upon other miscellaneous activities within a state. Under the "substantive due process" clause courts have also imposed two other principal restrictions on state taxing powers. First, a state may not tax what is not within its jurisdiction, such as real estate in another state. And second, a state may levy taxes for public purposes only.

Local units of government are subject to the same legal restrictions that apply to state governments plus a few additional ones. In general, local governments possess no inherent taxing powers of their own, although it could be argued that some state

constitutions contain charter provisions that would appear to give local governments some taxing power. However, in general local governments have only such taxing powers as are delegated to them by state legislatures. This provision appears necessary in order to adjust revenues to the needs of both state and local governments. Unfortunately, local governments are often in a rather poor position since they must obtain taxing authority from a state legislature which is frequently reluctant to increase local revenues or to grant increased freedom for solving tax difficulties. Too, the local governments are often unable to afford adequate administrative machinery for collection and enforcement of taxes. There is evidence of late, however, that state legislatures--particularly in such urbanized states as New York, Massachusetts, Pennsylvania, and California--are beginning to show greater concern for local revenue requirements.

Tax Administration.--The characteristic organ of state administration is the state tax commission. Two-thirds of the states have adopted this form, while the others utilize more rudimentary forms, such as state boards of review and equalization. A further form found in a few states, is that wherein tax administration has been made a function of the state department of finance.

Boards of equalization, one of the earliest state forms of tax administration, possessed two serious defects: first, their members were ex-officio or elective, and hence were often professionally inept; secondly, the membership was usually far too large and unwieldy to operate efficiently. Tax Commissions, on the other hand, usually consisted of three members appointed

by the governor for four- or six-year terms. In addition to being entrusted with administration of special state taxes, these commissions were usually given supervisory authority over local tax officials and property tax assessments. Since its inception the commission form of administration has clearly demonstrated its superiority over boards of equalization and has become the most popular form of state tax administration.

With the exception of Florida all states now have an official or commission specifically charged with tax administration. A few states concentrate this power in a single official or commission; however, most of them split the responsibility for tax administration. For example, the tax commission may administer the property, income, corporation, and sales taxes; while a state highway commission will administer gasoline and motor vehicle taxes.

Local tax organizations, including county, township, and municipal forms, are widely varied. In rural districts with a relatively small population, either the local assessor, treasurer, auditor, or district or county tax collector constitutes--in varying combinations--the tax administration system. These offices are created by state laws and given administrative power through enabling legislation. In most cities, however, taxation was originally entrusted to an elected board of tax assessors, each member being responsible for the assessment of a particular portion of the city. Unfortunately, this form of organization early showed a lack of administrative efficiency and usually fell under the influence of dominant political parties or pressure

groups. More recently, progressive cities have departmentalized the procedure of tax assessment. A clerical force performs the basic work, while more responsible individuals determine unit values.

In many state and local governments the efficiency of the tax administration falls far short of acceptable business standards. However, in recent years the trend has begun to turn toward better administration. There are several factors contributing to this: first, there has been an improvement in the quality of personnel due to the shift from elected to appointed personnel in positions requiring professional abilities and to the increased efficiency of civil service systems; second, state and local governments are mechanizing administrative processes, and; third, tax administrators, professional associations, business men, lawyers, and accountants have collaborated with state and local officials in establishing sound and efficient administrative procedures.

Tax Systems.--Under English rule the American colonies derived their primary revenue from land and poll taxes, liquor excises, and customs and tonnage duties. When these colonies became states in the federal union, subject to the federal Constitution, the land tax, now known as the general property tax, became their basic financial support. This situation persisted throughout the nineteenth century, even though other sources--special bank taxes, insurance company taxes, railroad taxes, general corporation taxes, and inheritance taxes--were utilized for a small percentage of the total state revenues. In the early twentieth century, however, the states began to rely more heavily on taxes other than the general property tax; and this tendency

accelerated rapidly as the mid-century period approached. By 1930 property taxes produced less than one-fifth of the state revenues; and by 1953, less than one-thirtieth. A summary of the state revenue picture in 1952 is as follows:

Revenue of state governments from all sources totalled \$16, 815 million in the fiscal year 1952.....This total includes gross sales revenue of liquor stores operated by 16 states, and contributions and investment earnings of social insurance systems administered by state governments.

State government borrowing in 1952 amounted to \$1,147 million, so that the grand total of borrowing and revenue from all sources amounted to \$17,962 million, or \$117.73 per capita.

Taxes supplied \$9,857 million or almost three-fourths of all state general revenue in 1952.....Intergovernmental revenue from the Federal Government supplied \$2,329 million in 1952.....Intergovernmental revenue from local governments amounted to \$156 million. Charges and miscellaneous general revenue amounted to \$1,087 million.¹

In order of importance revenue-wise the principal taxes in 1952 were: general sales taxes, gasoline taxes, corporation and personal income taxes, and payroll taxes. All the states obtained revenue from payroll, gasoline, and motor vehicle taxes; while only half of the states obtained revenue from pari-mutuel taxes and from severance taxes. Over 30 states had general sales taxes, while three-quarters of the states had personal or corporation income taxes, or both.

Local tax systems and sources of revenue have also undergone considerable re-shaping since the advent of the twentieth century. In 1890 local taxes exceeded state taxes by more than 4 to 1, or \$405 million against \$96 million. Although both local and state tax revenues have increased many-fold since that time,

U. S. Bureau of the Census. Compendium of City Government Finances in 1952, (Washington: Government Printing Office, 1953), p. 1.

state taxes have increased at a much greater rate till in 1942 the tax revenues of the forty-eight states passed the tax revenues of the over 155,000 local units of government. The primary reason for the present inferior position of the local tax revenues is that local governments have not kept pace with the functional expansion of state governments. Nor do the local governments have much control over their own tax policies; instead authority is vested almost entirely in the state legislatures. As a consequence, local governments have been unable to exploit fully the lucrative fields of income, sales, pay-roll, and other forms of taxation. In general they were left with only one basic tax--the property tax. In 1949, for example, property taxes accounted for \$6,563 million out of \$7,426 million of local revenues. Local sales, use and gross-receipts taxes were next in importance, and license permits and similar taxes were third. However, it is evident that these latter taxes are also a fertile source of state revenue, hence we can expect considerable opposition from state governments to further exploitation of this source by local governments.

Another significant trend in local revenues is that state aid is increasing, particularly for education, welfare, and highways. In 1953, grants-in-aid and shared taxes provided approximately one-fourth of all local revenue in the United States. Also, there have been many proposals made for assumption of local tax functions by state governments, thereby achieving greater economy and efficiency in collection and use of funds. Expansion of the tax base is another frequently heard proposal, particularly in municipal government where a definite trend away from property

taxes as the basic revenue has been evident for many years.

Municipal taxes which are gaining most rapidly in popularity are the income tax, the sales tax, and the admissions tax.

When the income tax is employed by municipalities, it is usually at a rate of approximately 1 per cent or less, and applies to gross income from salaries and wages. Some of the levies also apply to the net profits of unincorporated business and some to corporate profits. Some cities levy income taxes only against revenue earned within the levying city, while others levy against income from extra-city sources.

The American cities having the longest experience with municipal sales taxes are New York and New Orleans; however, because of wholesale adoption of sales taxes by California municipalities, that state is far ahead of the others. At the end of 1948 more than 100 California cities were imposing sales taxes. The principal merit of the sales tax is its productivity. New York's 2 per cent levy, for example, is producing something in the neighborhood of \$120 million per year or \$16 per capita.¹ The feature most objected to in sales taxes is their regressiveness; however, in New York and in some California communities this feature has been mitigated somewhat by the exemption of necessities--food, for example.

Kinds of Taxes.--Many of the more important taxes employed by state and local governments have been discussed above in considering their proportionate contribution to revenue. An exhaustive

¹"Local Sales Taxes", by Marvel Stockwell, Proceedings of the Annual Conference of the National Tax Association, 1947.

analysis of the relative values of all types of state and local taxes in various areas of the United States would run into several volumes. However, it is of some benefit to note briefly the various kinds of taxes that have been utilized for revenue by state and local governments. Such a synoptic view assists us, in effect, to understand the scope and nature of tax revenues.

Taxes on property have generally been relinquished by states to their local governments. In 1952 only about six states derived more than 10 per cent of their revenue from this sources; and in the others, comprising about three-fourths of all states, property taxes were a minor source of revenue. However, the property tax still provides almost 90 per cent of local tax revenue. All classes of real property, tangible personalty, and intangible personalty are subject to taxation in varying combinations and proportions by the states. Many states, however, exempt either wholly or partially the latter two categories.

In 1952 about thirty-three states had some form of income taxes, either personal or corporate. Compared with the rate schedule of the federal tax, the progression of the state income taxes is mild and generally confined to the lower income brackets. Minnesota has the highest rate: 10 per cent on income in excess of \$20,000. The income taxes of local governments are relatively moderate and simple to administer. The tax base is usually confined to wages, salaries, and earnings of unincorporated businesses.

Another important source of revenue for state and local governments is business taxes, including bank taxes, corporation organization and entrance taxes, public utilities taxes, insurance

taxes, severance taxes, license taxes, racing taxes, chain-store taxes, and unincorporated business taxes. Many more examples of such a tax could probably be found, but this group indicates the general nature of business taxes. It can be said in general about this group that fiscal economists concerned with the economic effects of taxing our business system agree that more of the present tax load should be placed directly on individuals rather than on business. For example, the double taxation of dividends by the combination of corporation and personal income taxation is widely condemned.

Other forms of tax revenue for state or local governments are commodity taxes (customs duties, specific commodity taxes, general sales taxes), security transfer taxes (worth levying only in those states which contain a major financial center), motor vehicle and fuel taxes (produced over one-fourth of all state tax revenues in 1952), and death and gift taxes.

Non-Tax Revenues

Table 1 on page 13 illustrates the proportionate amount of revenue that was derived from non-tax sources in 1952 by states; while Table 2 on page 14 illustrates this revenue in the 481 cities having more than 25,000 inhabitants in 1950. It will be noted in Table 1 that the total of intergovernmental revenue exceeds the sum of its parts. This is because \$156,305 thousand received from local governments for shares in financial support of programs administered by the state and for reimbursements for services performed or expenditures made for them by the states, etc., was

TABLE 1

STATE REVENUE BY SOURCE: 1952

Item	Amount in Millions 1952	% of Total 1952
Total Revenue.....	\$16,815	
Tax Revenue.....	9,857	57
Intergovernmental Revenue.....	2,485	15
Public Welfare.....	1,149	
Education.....	293	
Highways.....	413	
Health and Hospi- talization.....	114	
Employment Security Administration....	187	
Other.....	174	
Charges and Miscellaneous.....	1,087	7
Education.....	381	
Highways.....	72	
Health and Hospitals..	101	
Earnings on Property and Investments...	249	
Other.....	283	
Liquor Store Revenue.....	924	6
Insurance Trust Revenue...	2,462	15
Employee Retirement...	579	
Unemployment Compen...	1,597	
Workmen's Compen.....	224	
Other.....	62	

Source: U. S. Bureau of the Census, State Government Finances in 1952, (Washington: Government Printing Office, 1953), p. 2-20.

not listed; nor was \$158,884 thousand in non-fiscal revenue listed. These were not deemed significant in our study of revenue distribution. For similar reasons other items in the table are out of balance.

While the amount of tax revenue has increased for both states and cities in recent years, it has declined somewhat as a percentage of all general revenue. In 1949, for example, state and local governments combined received 80 per cent of all their

TABLE 2

GENERAL REVENUE BY SOURCE IN THE 481
CITIES HAVING MORE THAN 25,000
INHABITANTS IN 1950: 1952

Item	Amount in Thousands	% of Total
All General Revenue.....	\$5,256,518	100
Taxes.....	3,462,135	66
Property.....	2,580,154	
Sales and Gross Receipts.....	544,332	
Licenses and Other.....	337,659	
Intergovernmental Revenue.....	1,034,387	20
From State Governments Only.....	911,854	
Charges and Miscellaneous.....	759,996	14
Current Charges.....	437,277	
Special Assessments.....	82,006	
Other and Unallocable.....	240,713	

Source: U. S. Bureau of the Census, City Government Finances in 1952, (Washington: Gov't Printing Office, 1953), p. 11.

revenues from taxes. At the same time these units received 11 per cent from "Charges and Miscellaneous" sources and 9 per cent as grants-in-aid from other governments. The cities particularly have turned to non-tax sources for additional revenue, realizing that the tax base was restricted because of conflict with state revenue sources.

Kinds of non-tax Revenues.--Intergovernmental revenue, consisting primarily of grants-in-aid, has in recent years become one of the most important non-tax revenue sources for both state and local governments. It includes grants to the states for such functions as public welfare (old-age assistance, aid to dependent children, aid to the blind, aid to the disabled, etc.), education, highways, and defense. For cities, grants-in-aid are for such functions as public welfare, education and libraries, highways,

REVENUE FROM THE SALE OF
TAXES ON THE SALE OF
PROPERTY IN 1960

Year	Revenue	Percentage
1960	10,000,000	100.0
1959	9,500,000	95.0
1958	9,000,000	90.0
1957	8,500,000	85.0
1956	8,000,000	80.0
1955	7,500,000	75.0
1954	7,000,000	70.0
1953	6,500,000	65.0
1952	6,000,000	60.0
1951	5,500,000	55.0
1950	5,000,000	50.0
1949	4,500,000	45.0
1948	4,000,000	40.0
1947	3,500,000	35.0
1946	3,000,000	30.0
1945	2,500,000	25.0
1944	2,000,000	20.0
1943	1,500,000	15.0
1942	1,000,000	10.0
1941	500,000	5.0
1940	0	0.0

Source: U. S. Bureau of Economic Warfare, *U. S. Economic Warfare, 1940-1945*, p. 11.

It is not clear from the above table whether the revenue from the sale of taxes on the sale of property in 1960 was higher than in 1959. The table shows that the revenue from the sale of taxes on the sale of property in 1960 was 10,000,000, while the revenue from the sale of taxes on the sale of property in 1959 was 9,500,000. This indicates that the revenue from the sale of taxes on the sale of property in 1960 was higher than in 1959.

The above table shows that the revenue from the sale of taxes on the sale of property in 1960 was 10,000,000, while the revenue from the sale of taxes on the sale of property in 1959 was 9,500,000. This indicates that the revenue from the sale of taxes on the sale of property in 1960 was higher than in 1959. The table also shows that the revenue from the sale of taxes on the sale of property in 1958 was 9,000,000, in 1957 was 8,500,000, in 1956 was 8,000,000, in 1955 was 7,500,000, in 1954 was 7,000,000, in 1953 was 6,500,000, in 1952 was 6,000,000, in 1951 was 5,500,000, in 1950 was 5,000,000, in 1949 was 4,500,000, in 1948 was 4,000,000, in 1947 was 3,500,000, in 1946 was 3,000,000, in 1945 was 2,500,000, in 1944 was 2,000,000, in 1943 was 1,500,000, in 1942 was 1,000,000, in 1941 was 500,000, and in 1940 was 0.

health and mental hospitals, housing and community development.

Another category of non-tax revenues can conveniently be classified as "commercial revenues". These would include: disposal of the public domain and other properties, investment income (interest on loans, interest received by reserves and trust funds, rents and royalties), and lotteries when allowed.

Yet another category would include charges for special government services, including: service fees, license fees, and special assessments and condemnations. The basis for such charges is that individuals quite frequently derive special supplementary benefits from government activities in addition to the general primary benefits. It is therefore only fitting that these individuals--when they can be isolated--should bear the cost of these supplementary benefits. For example, if the state government by periodic inspection causes the barbers of a certain municipality to maintain prescribed standards of cleanliness, that municipality should bear its share of the expense of such inspections.

A final category of non-tax revenue could be called "sovereign revenues". This category would include tributes and subsidies, coinage rights, expropriation and escheat, fines, penalties, forfeitures, and gratuities. Such revenues are those a government receives in its status as a sovereign political power. The above list would apply primarily to the federal government, but certain sovereign rights might also be exercised by state and local governments. For example, a state could receive the following sovereign revenues: subsidy, expropriation under power of eminent

domain, escheat, gratuities, fines, forfeitures, and penalties. A local government, on the other hand, might obtain revenue from expropriation under eminent domain, subsidies, fines and penalties, and gratuities.

CHAPTER II

STATE AND LOCAL REVENUES: SELECTED CASE STUDIES

Florida Municipal Revenue Pattern¹

Introduction.--This chapter attempts to analyze briefly the distribution of the municipal revenue load among tax and non-tax sources and among Florida communities. In considering these problems only current revenues are discussed inasmuch as utilization of surplus funds or borrowed capital for expenditures represents actual revenue of past years or anticipated revenue of future years. The annual fiscal revenue structure, therefore, would not be accurately delineated.

Interyear Comparison of Revenue.--A comparison of 1948 and 1950 revenues in Florida municipalities (See Table 3) presents not only an overall picture of the revenue structure, but also points out several significant trends.

In 1950, city revenue was \$95.5 million or 89 per cent of total income. General surplus and borrowing accounted for the other 11 per cent. However, the property tax, which had provided approximately 50 per cent of the total revenue in 1948, declined to 44 per cent in 1950. During the same period, however, property taxes increased in dollar amount from \$37.1 million to \$41.7 million.

¹Figures quoted in this section have been drawn from the following reference: Wylie Kilpatrick, Revenue and Debt of Florida Municipalities and Overlying Governments, (University of Florida Press, 1953).

TABLE 3

INTERYEAR COMPARISON OF REVENUE OF FLORIDA
MUNICIPALITIES: 1948 AND 1950

SOURCE	1948	1950	% of Total	
			1948	1950
Total Revenue	\$74,659,418	\$95,539,370	100.0	100.0
Taxes	45,263,037	60,138,506	60.6	62.9
Property	37,129,666	41,747,431	49.7	43.7
Utility	6,234,623	8,029,720	8.3	8.4
Cigarette	1,022,861	9,533,581	1.3	9.9
Other taxes	875,886	827,774	1.1	.8
Charges for functional service	5,905,673	7,650,737	7.9	8.0
Garbage collection	989,733	1,746,940	1.3	1.8
Recreation	1,046,405	1,137,229	1.4	1.9
Airports	383,430	419,050	.5	.4
Sewerage	406,730	833,907	.5	.8
Trailer camps	119,319	204,717	.1	.2
Cemeteries	34,747	121,371	.05	.1
Hospitals	1,950,486	2,570,223	2.6	2.7
Other	974,814	617,300	1.3	.6
Contributions from city utilities	8,677,875	10,492,446	11.6	10.9
Licenses and permits	9,218,274	10,157,571	12.3	10.6
Occupational	6,563,769	7,042,489	8.8	7.3
Parking meters	1,247,607	1,440,451	1.6	1.5
Inspection and other	1,406,898	1,674,631	1.9	1.7
Special assessments	674,775	915,657	.9	.9
Aid from other governments	762,280	1,113,508	1.0	1.2
Miscellaneous	4,157,504	5,070,945	5.5	5.3
Fines and penalties	2,741,029	2,628,354	3.6	2.7
Other	1,416,475	2,442,591	1.9	2.5

The most phenomenal rise of any single tax occurred when the cigarette tax expanded from 1.4 per cent of the 1948 revenue to 10 per cent of the 1950 revenue. This expansion, however, must be attributed to the fact that in 1949 the cigarette tax was administered by the state rather than by a relatively few cities.

City Revenue by Population-size Class.---Having briefly

compared revenue distribution by source, we turn now to a comparison of certain aspects of city revenue by population-size classes. First, it is interesting to note the tendency of smaller municipalities to rely more heavily upon tax revenues than do the larger cities. In cities of over 100,000 population 63.5 per cent of total revenue is from taxation, while in municipalities of less than 1,000 population 71.8 per cent of total revenue is derived from taxation. Second, the smaller municipalities tend to rely upon the cigarette tax to a greater extent than do the larger ones. For example, cities under 1,000 derive approximately 17.6 per cent of their total revenue from the cigarette tax, while cities over 25,000 obtain only about 9 per cent of their total revenue from this source. Special assessments also constitute a proportionately greater source of revenue among municipalities of less than 1,000 than among the larger cities.

Although the revenue levy per capita in Florida municipalities does not vary precisely with city population-size classes, nevertheless an important relationship is discernible from Table 4 on page 18. From this comparison we observe that city cost or revenue per capita usually declines correspondingly to the decrease in size of population classes. Particularly is there a discernible difference between per capita revenue from population-size classes of municipalities from 25,000 to 100,000 population (\$68.64 per person) and population-size classes under 1,000 population (\$31.61 per person).

Further inquiry into the relationship between population

TABLE 4

VARIATION OF MUNICIPAL REVENUE IN FLORIDA
BY POPULATION CLASS: 1950

POPULATION-SIZE CLASS OF MUNICIPALITIES	PERCENTAGE OF		PER CAPITA REVENUE
	Population	Revenue	
Over 100,000	33.65%	34.68%	\$57.28
25,000 to 100,000	28.25	34.89	68.64
10,000 to 25,000	10.96	10.94	55.50
5,000 to 10,000	9.17	7.30	44.19
2,500 to 5,000	8.93	7.24	45.01
1,000 to 2,500	5.84	3.13	29.78
Under 1,000	3.20	1.82	31.61

and revenue reveals that the three Florida cities (Miami, Tampa, Jacksonville) of more than 100,000 population accounted for one-third of the population living in Florida municipalities in 1950, for 34.68 per cent of total city revenue, and for 33.99 per cent of property taxes. These cities were quite close to the state-wide per capita revenue average of \$55.57. However, per capita revenue of cities from 25,000 to 100,000 population was \$68.64. This was about 24 per cent above the state average and provides an exception to the otherwise valid theory advanced earlier that revenue per capita declines according to the decrease in size of population classes.

The Municipal Revenue System: Property Taxes.--Although property taxes have shown a declining trend in relation to the other components of tax revenue, they nevertheless continue to be the largest single source of city revenue. Of 267 Florida cities reporting in 1950, however, 33 collected no property taxes at all, while 73 cities collected only 10 to 30 per cent of their revenue

from property taxation. From these figures it is apparent that property taxes have become supplementary revenue sources in approximately one-half of the Florida municipalities.

City Cigarette Taxation.--Application of this tax in Florida municipalities has many interesting aspects. Prior to the Revenue Act of 1949, income from a city-administered cigarette tax was \$1,022,861, collected from a total of 13 cities. Rates at this time varied from one to two cents per standard package. Passage of the Revenue Act of 1949, however, resulted in a major realignment of state and local revenue sources. A three per cent general sales tax (exempting certain necessities, such as food for home consumption) was instigated, city amusement taxes were terminated (These yielded \$188,868 in 1948.), and the gasoline tax yield of one cent was transferred from schools to highways.

At the same time the state assumed administration of both the state and city cigarette taxes, levying a tax of five cents per standard package on all retail sales. Any municipality might, however, levy a cigarette tax up to the same five cent rate; and the State Beverage Department would turn back 97.5 per cent of the proceeds from a specific municipality. In the event there is no municipality in a county, 50 per cent of net collections is paid to the county boards of commissioners.

The various municipalities were quick to take advantage of this cigarette tax, and by June 30, 1951, all but three of the 278 functioning municipalities had instigated the tax and

received net collections from the state. For the tax period ending June 30, 1951, collections from this source were \$12.9 million. It is difficult from the figures available to evaluate the proportionate revenue from the cigarette tax; however, Table 5 shows per capita levy and per cent of revenue of the cigarette tax by population-size class of municipality.

TABLE 5

CIGARETTE TAX YIELD PER CAPITA AND AS
A PER CENT OF REVENUE
BY POPULATION-SIZE
CLASS: 1951

POPULATION- SIZE CLASS	PER CAPITA		PER CENT OF REVENUE	
	Low	High	Low	High
Over 100,000	\$6.31	\$8.23	10.7%	13.2%
25,000 - 100,000	4.29	12.53	6.3	20.4
10,000 - 25,000	6.66	11.03	11.1	21.4
5,000 - 10,000	2.81	9.95	9.8	33.8

It is at once evident from the above tabulation that although the tax is levied throughout the state at a uniform rate, it results in varying yields. Moreover, these yields bear no relationship to a city's need for revenue or to its ability to pay. However, in actual practice this tax is a very minor source of revenue and is designed principally to broaden the tax base, regardless of incidence, so that the municipalities might obtain much needed supplementary revenues.

Although the Florida cigarette tax is generally regarded as a city revenue from a city-imposed tax, nevertheless the state has attached certain conditions to it as though it were a grant-in-aid. First, the municipalities must spend the proceeds for

certain specified functions, including streets, sewers, water supply, and services for health and public safety. Second, one-half of the additional cigarette tax revenue must be used to bring about a reduction in property tax rates. A rather complicated formula, which will not be discussed here, is involved in this computation. The significant fact to be brought out, however, is that the state exercises a marked degree of control over this city-imposed tax through earmarking it for specific uses.

City Utility Tax.--A final important tax source, which because of its interesting aspects will be briefly discussed, is the city tax on utility receipts. In 1950 this tax accounted for 8.4 per cent of total city revenues. Utilities generally taxed in Florida are: electric power, water, gas services, transportation, telegraph, and telephone services. This tax is levied against both city-owned and privately owned utilities. In both cases, however, the tax incidence generally rests upon the ultimate consumer.

Non-Tax Revenue.--As was shown in Table 3, tax revenues accounted for 62.95 per cent of total municipal revenues in Florida during 1950. The remaining 37.05 per cent of the total revenue was divided among non-tax sources as follows: Charges for functional service--8 per cent, contributions from city utilities--10.98 per cent, licenses and permits--10.63 per cent, special assessments--0.96 per cent, aid from other governments--1.17 per cent, and miscellaneous--5.31 per cent.

Functional Service Charges.--Included in this category

of revenue are: garbage collection, recreation, airports, sewerage, trailer camps, cemeteries, hospitals, and other miscellaneous items of minor importance. Use of this source of revenue follows no general pattern among Florida municipalities; and mostly it is used to relieve the pressure on other tax sources which are being fully exploited. Hospital charges represent the largest single source of service charge, followed by garbage collection fees, recreation, and sewerage charges.

Special Assessments.--Income from special assessments in Florida municipalities grew from \$674,775 in 1948 to \$915,657 in 1950, an increase from .90 per cent of total revenue to .96 per cent. This type of revenue is levied irregularly throughout Florida without regard to city size. It is mostly employed to replace operating funds that are pledged to revenue bonds or to improvements.

Aid from Other Governments.--In 1950, Florida municipalities received \$1,113,508 in aid from other governments. Approximately 50 per cent, or \$536,252 was received from counties as the cities' one-half share of the proceeds from the county road tax imposed upon property in incorporated places. A much smaller share, or \$194,130, was received from the federal government as payments in lieu of taxes on public housing projects. It is interesting to note that in most of the larger counties, the municipalities which were legally entitled to county aid forfeited this revenue on the theory that the counties could more profitably employ it on roads leading into the cities. A further justification

of the same kind (green and red), however, and the same
 are, really, very common, and are found in the
 form of other species. But of this more at another time.
 In general, the most common species of the genus is
 found in the form of the present one, and the same is
 being very common. The same is also the case
 with the other species, which are found in the same
 form, and are very common.

General Description.—The present form is a small, greenish
 plant, with a few leaves, and a few flowers. It is
 found in the form of the present one, and the same is
 being very common. The same is also the case
 with the other species, which are found in the same
 form, and are very common.

General Description.—The present form is a small, greenish
 plant, with a few leaves, and a few flowers. It is
 found in the form of the present one, and the same is
 being very common. The same is also the case
 with the other species, which are found in the same
 form, and are very common.

of their refusal is the fact that revenue for both county and city roads comes largely from the same property within cities.

State aid for municipalities was only \$383,126 in 1950. However, it should be noted that state aid is not so parsimonious in other areas, accounting for a large share of school and county revenue. Moreover, the state of Florida has begun to share with certain municipalities a portion of the state race track funds that are annually paid to counties and to school districts. In 1950, for example, state race-track funds of \$114,201 were paid to nine municipalities of 14,000 population or less.

Contributions from City Utilities.--In 1950, contributions from city utilities totalled \$10,492,445, a decrease in proportion to total revenue of about one per cent from 1948. This source of revenue is distinct from taxes levied on city and private utilities in that contributions are made only by city-owned utilities having incomes in excess of expenditures charged against revenue. Certain cities, such as Jacksonville, Tallahassee, and approximately twelve others, have made unusually large utility contributions, which has tended to overshadow the fact that by far the majority of cities make little or no utility contributions.

Miscellaneous City Revenue.--In 1950, miscellaneous revenue totalled \$5,070,945, which represents a fairly stable proportion of total revenue when compared with 1948. In both instances the figure was about 5.4 per cent. The principal source of miscellaneous revenue is, of course, collections of fines and penalties. Only a few of the smaller towns failed to collect any income from this source. It is interesting to note, however, that fines and

penalties declined 4.1 per cent between 1948 and 1950. Interest earnings on securities and deposits represents another fairly lucrative source of revenue (\$195,881 in 1950), and is mostly concentrated in cities above 25,000 population. And the final revenue of any significant value in this category was the \$810,493 that was collected from property sales and rentals.

Revenue in Kansas Counties

Introduction.--Having considered various aspects of municipal revenues in Florida, we turn to a different type of local government and a different geographical area to see what differences, if any, exist in revenue distribution and composition.

Kansas has 105 counties with a population spread between 2,030 and 272,864. There is no area in Kansas which is not served by an organized county government administered by a Board of County Commissioners. Among the services rendered by the counties in their role as an agent of the state, with functions prescribed by the state, are the following: the building and maintenance of roads, the control of noxious weeds growing along these roads, the collection of taxes, the registration of deeds and mortgages, and the maintenance of county court houses.

Kinds of County Revenues.--Although new borrowing could perhaps be considered a county revenue, it is not considered as such in this discussion. Rather will the recurrent annual sources of revenue be examined. And in this category we find the following: property tax, state returned funds, license and privilege, fines and fees, sales and charges for current services, federal aid and

payments, interest on investments, trust fund receipts, and no-fund warrants.

Most of these revenues have been previously discussed; however, a few require further amplification because of their tendency to assume a different meaning when employed by a county government. State returned funds, for example, includes all items of state-shared taxes, state grants-in-aid, and state payments. Included in this category are the sales tax residue, the cigarette tax, state welfare aid, state payment for highway purposes, and state payment for the portion of the liquor inforcement tax used by the county. License and privilege revenue includes county-issued cereal malt beverage licenses and county boat and fishing permits. Sales and charges for current services includes receipts from sales of county property, rents, and reimbursements from the sale of chemicals and for services performed by the county for other units of the government. Federal aid and payments includes federal aid to the welfare program and federal payments in lieu of taxes in those counties where federal installations are located physically.

No-fund warrants are a rather unusual form of revenue. They are issued to cover certain expenditures for which no funds are immediately available; they are actually, therefore, a creation of debt. However, since this debt is usually repaid by a special tax levy the following year it is in no sense a long-term debt, and will therefore be treated as a revenue.

County Revenue Structure: 1947 to 1951.--Table 6 on page 26 shows county revenues in Kansas for the period 1947 to 1951.

TABLE 6

COUNTY REVENUES 1947 - 1951
(Millions of Dollars)

REVENUE SOURCE	1947	1949	1951
Property Tax	25,642	38,575	51,495
Returned State Funds	18,242	22,768	25,465
Fed. Aid & Payments	10,747	15,029	17,005
Fines and Fees	1,857	2,060	2,592
Sales and Charges	1,819	2,213	1,901
Emergency Warrants	.230	1,710	1,084
License and Privilege	.049	.084	.071
Interest on Investment	.005	.011	.027
Trust Fund021
Miscellaneous	.861	1,409	.904
Total	59,457	83,863	100,571

Source: Governmental Research Center, University of Kansas,
Recent Trends in County Finance 1947-1951, (Kansas: Univ.
of Kansas, 1953), p. 13.

Among the significant changes revealed by this table are: (1) total revenue has increased from \$59.4 million in 1947 to \$100.5 million in 1951, an increase of approximately 41 per cent; (2) property taxes constitute the largest single source of income and show no evidence of declining in comparison to other taxes, as was the case in Florida; and (3) returned state funds and federal aid and payments, which rank second and third in order of amount collected, together do not equal income from property taxes, but are significantly larger than the remaining revenue sources.

Several causes are responsible for the 41 per cent increase in revenue during this period. First, in 1947 the state legislature authorized counties to collect a two-mill tax on all the tangible property in the county with certain specific exceptions. This act alone created an additional \$8 million increase in

property taxes. Second, the rising cost of living and increasing population in Kansas combined to boost revenues. Third, the 1949 legislature authorized an additional levy of one mill for welfare purposes, increased the levy limits to enable counties to raise more money for roads and bridges, and raised the fee rate on such items as deeds, mortgages, and certificates of filing. And finally, a considerable increase in federal and state assistance for county governments helped to boost overall revenue.

Returned State Funds.--Because the county is primarily an agent of the state, it derives all its fiscal powers from enactments of the state legislature. And while the property tax is the backbone of the county financial structure, contributing half the total of county revenue, there is a great need for increased county revenues in Kansas to meet the rising costs of general administrative services. One possible solution, of course, is to increase the levy on property owners by such means as raising the aggregate levy limits or increasing the assessment ration, which would make it possible to raise enough revenue within existing levy limitations. However, another school of thought maintains that property owners should not be required to bear the rising costs of county government, but that state returns to the counties should be increased. Table 7 on page 28 illustrates percentage distribution of returned state funds during the period studied. It will be noted that state aid and payments to the welfare program (47 per cent) is the largest single source of returned state funds. At the same time, residue sales tax accounted for 26 per cent; state payments for highway purposes for 21 per cent; the cigarette tax

TABLE 7

PERCENTAGE DISTRIBUTION OF RETURNED STATE FUNDS
1947-1951

SOURCE	1947	1948	1949	1950	1951
Welfare Aid.....	42%	46%	47%	47%	48%
Sales Tax Residue.....	36	33	26	19	20
Payments for Highway Purposes.....	14	15	19	27	25
Cigarette Tax.....	6	5	6	5	5
Other.....	2	1	2	2	2
Total	100%	100%	100%	100%	100%

Source: Ibid., p. 18.

for 5 per cent; and miscellaneous sources (coyote bounty payments, liquor enforcement tax, state contributions to the noxious weed supervisor's salary) for 2 per cent.

Certain underlying factors account for several of the percentage shifts among sources of returned state funds during the five year period. First, in 1947 the state increased its percentage participation in welfare expenditures from 30 to 40 per cent. Also, in 1950 the state guaranteed to make up any deficit in the welfare funds of those counties unable to collect sufficient funds within the legal limit. Second, the decrease in sales tax residue percentage in 1949 was the result of the 1947 legislature freezing the amount to be distributed to local governments at a figure of \$12.5 million. And finally, state payments for highway purposes were increased in 1949 by the fifth cent gasoline tax monies being returned to the counties to match federal funds for secondary road projects. This raised payments for highway purposes to second place percentage-wise as a source of state funds.

In concluding this discussion of revenues in Kansas counties, one needs to understand the general nature of the county system in order that the fore-going discussion shall be placed in its proper perspective.

First, although the county is an agent of the state with its functions prescribed by state laws and its activities limited by statutory enactments, nevertheless it plays an important role in the daily life of Kansas people. Every person in Kansas, regardless of whether he lives in a city or in a rural area, pays county taxes, votes for county officials, and has an opportunity to express his approval or disapproval of the county budget. Moreover, most of the county functions, for which the previously discussed revenue sources provide the requisite income, bring the counties into direct contact with the people. And second, because Kansas is primarily an agricultural state, the county has been extremely active in promoting agricultural knowledge through an agricultural extension service which keeps farmers abreast of recent developments.

Revenues in Guilford Town, Maine

Town Government in Maine.--In Maine the 16 counties are divided as follows: 421 incorporated towns, 21 incorporated cities, 68 incorporated plantations, and 75 unorganized plantations and townships. However, as in most of New England, the counties perform only a few functions, such as maintaining county court-houses and jails, recording deeds and other instruments, maintaining roads in unorganized territories, and exercising minor police functions. The town is the important unit of government and

offers an interesting, if not unusual, form of local government.

Guilford Town was once owned by Bowdoin College as one of its land grants, but in 1806 was sold to Robert Low and Robert Herring of New Gloucester. These men and their families were the original settlers in the area. At present there are three principal industries in the town: a woolen textile mill, a toothpick and hardwood novelty factory, and a bobbin mill. In 1947 the assessed valuation of the town was \$992,927 divided in the following manner: real estate \$834,685, and personal \$158,242.

Town meetings are held--annually, in most instances--to settle certain local problems and to elect officials for the year. However, Guilford Town is predominantly republican, and consequently there are no caucuses or party politics. Officials are usually re-elected from year to year.

Five selectmen with overlapping terms of three years are given responsibility by the town meetings for performing the administrative and fiscal functions of the town. However, the selectmen appoint a town manager for an indefinite term to actually carry out these functions. Other duties of the selectmen are to serve as assessors, prepare an annual list of qualified voters, oversee elections, and appoint local officials (i.e., constables, police officer, truant officer, health officer, etc.).

Among other officers elected to pre-determined positions at the Guilford Town Meeting are the town clerk, the town treasurer, the school committee, two trustees of the Guilford Memorial Library, and the budget committee.

Revenue Sources in Guilford Town.--The chief sources of

revenue for the town of Guilford in the fiscal year ending February 15, 1948 are shown in the following table:

TABLE 8

REVENUE SOURCES FOR THE TOWN OF GUILFORD:
1948

SOURCE	AMOUNT
Auto Excise Tax.....	\$3,658
From State of Maine.....	16,144
For Education.....	\$8,868
For Highways.....	3,898
For non-resident Paupers.....	909
For Library & other Purposes.....	53
From Bank Stock Tax.....	2,270
From Railroad & Tel. Tax.....	146
Other Sources.....	9,618
School Revenues.....	7,072
Highway Revenues.....	1,042
Pauper Reimbursements.....	97
Interest.....	206
Miscellaneous.....	1,201
Town Taxes.....	67,426
Poll Taxes.....	1,700
Property Taxes.....	65,726
TOTAL REVENUE.....	\$96,846

Source: Paul W. Wager (ed.), County Government Across the Nation, (Chapel Hill: University of North Carolina Press, 1950), p. 65.

Of the total revenue of \$96,846 raised in 1947, approximately \$67,426, or 69 per cent, came from property taxes. As stated previously, the total assessed valuation of the town in 1947 was \$992,927 against which was levied a tax rate of 66.8 mills, providing a revenue of \$65,726. The balance of the property tax, or \$1,700, came from a poll tax of \$3. There is no limit on the property tax.

The next largest source of revenue for the town of Guilford was state grants-in-aid and shared taxes to the amount of \$16,144.

Of this \$8868 was earmarked for education and \$3,898 for highways. Also, the state of Maine taxes shares of stock of trust companies and national banking institutions, returning the revenue to the municipality where the institution is located (in case the stock is owned by non-residents or corporations) or to the municipality where the stockholder resides. Another trifling revenue return by the state is from excise taxes on railroad and telephone and telegraph companies.

The auto excise tax--amounting to \$3,658 in 1947--is a typical example of an "in lieu" tax. In this instance, the state has levied an excise tax on motor vehicles which is in lieu of a personal property tax. Collections are made by the town of Guilford and are retained locally. A variable rate exists for this tax--however, there is a minimum charge of \$5.

Revenue Sources in California

Thus far, revenue sources for Florida municipalities, Kansas counties, and a New England township have been considered. Although these are widely varying forms of local government, yet certain similarities were evident in the revenue pattern, particularly the reliance upon a property tax as the major source of income. At the same time, however, we observed that many local governments were without a property tax and that in Florida municipalities the proportion of property tax to total revenue was declining.

As final case study of revenue patterns in state and local governments, the state of California has been selected. This is a

state with a population (1950 census) of 10,586,223 and an area of 158,693 square miles. It ranks 15th among the states in number of local governments with 3,763 as of June 30, 1952¹. These are divided as follows: 57 counties, 306 municipalities, 2090 school districts, and 1,390 special districts.

TABLE 9

SUMMARY OF CALIFORNIA STATE REVENUES: 1952
(thousands of dollars)

SOURCE	AMOUNT	PER CENT
General Revenue.....	\$1,396,822	100%
Taxes.....	1,064,990	76.2
Sales and gross receipts.....	658,424	47.1
License.....	95,206	6.8
Individual income.....	91,176	6.5
Corporation net income.....	119,386	8.5
Property.....	71,612	5.1
Death and gift.....	28,515	2.1
Severance.....	671	.04
Intergovernmental revenue.....	243,269	17.4
From Fed. Government.....	232,465	16.6
From Local Government.....	10,804	.8
Charges and Miscellaneous.....	88,565	6.3
Current charges.....	50,510	4.0
Earnings on Prop. & Invest....	30,290	2.2
Liquor store revenues.....
Insurance trust revenue.....	345,157	24.7

Source: U. S. Bureau of the Census, State Government Finances in 1952, (Washington: Government Printing Office, 1953), p. 6.

California Revenue Pattern.--As shown in Table 9, total General Revenue for California in 1952 was \$1.4 billion. Including the \$345 million of insurance trust revenue with the general revenue gives California a total revenue for the year of \$1.7 billion, an amount second only to New York Revenues in

¹U. S. Bureau of the Census, Local Government Structure in the United States, (Washington: Govt Printing Office, 1954), p. 12.

1952.

Taxation.--By far the single most important source of state general revenue was taxation, which in 1952 accounted for 76.2 per cent of total general revenue. Of this amount \$0.4 billion came from a general sales or gross receipts tax, while \$0.24 billion came from a selective sales and gross receipts tax divided as follows:

TABLE 10

SALES AND GROSS RECEIPTS TAX REVENUE
IN CALIFORNIA: 1952

SOURCE	AMOUNT (thousands of \$)
Total Sales and Gross Receipts Rev...	\$658,424
Motor Fuels.....	160,301
Alcoholic Beverages.....	19,156
Tobacco Products.....
Insurance.....	25,281
Public Utilities.....	12,524
Pari-Mutuels.....	20,284
Amusements.....	153
Other.....	4,231
General Sales or Gross Receipts....	416,494

Source: Bureau of the Census, "State Finances", op. cit., p. 12.

It will be noted that certain of the sales and gross receipts taxes listed above are "selective"; that is, they are imposed on sales of particular commodities or services or gross receipts of a particular business, separately and apart from the application of general sales and gross receipts taxes.

Total sales and gross receipts taxes in California represented an average levy of \$37.78 per capita as compared to an all-state average for this type of tax of \$14.61 per capita. Carrying this discrepancy between California taxes and those of other states

one step further, it is interesting to note that the average per capita levy for general revenue in California is \$126.71, while in all other states combined the average is \$88.02.

Next in importance in the taxation category is the state tax on corporation net income which in 1952 was \$0.12 billion or 8.5 per cent of total general revenue. This tax was closely followed by license taxes (motor vehicles, motor vehicle operators, corporations in general, public utilities, alcoholic beverages, etc.) which totalled \$95.0 million, or 6.8 per cent of total general revenue.

Intergovernmental Revenue.--Intergovernmental revenue in California accounted for an income of \$0.024 billion in 1952, or 17.4 per cent of general revenue. Of this amount the Federal Government contributed \$0.23 billion, or 16.6 per cent of general revenue. Table 11 below shows a breakdown of intergovernmental revenue by source. Of the total intergovernmental revenue for California approximately one-half was earmarked for public welfare, old-age assistance being the prime expenditure.

In comparison to other states in the U. S., California is far ahead in intergovernmental revenue received from the Federal Government. New York is second with \$0.15 billion, while Texas is third with \$0.13 billion.

Charges and Miscellaneous Revenue Sources.--From this source the state of California collected \$88 million in 1952, or 6.3 per cent of its total general revenue. Current charges (amounts received from the public for performance of specific services benefitting the person charged and from sales of

TABLE 11

INTERGOVERNMENTAL REVENUE IN CALIFORNIA,
BY SOURCE, BY FUNCTION: 1952

(in thousands of dollars)

SOURCE	AMOUNT
FROM FEDERAL GOVERNMENT:	
Defense.....	\$ 321
Public Welfare.....	113,564
Education.....	16,673
Highways.....	23,140
Health & Hospitals.....	4,146
Non-highway Transportation.....
Natural Resources.....	50,631
Employment Security Admin.....	18,391
Other.....	5,599
Total From Fed. Govt.....	232,465
FROM LOCAL GOVERNMENTS:	
Public Welfare.....	17
Highways.....	3,747
Health & Hospitals.....	2,051
Other.....	4,989
Total From Local Govts.....	10,804

Source: Ibid., p. 14-15.

commodities and services except liquor store sales), consisting of charges for public safety, public welfare, commercial activities of state institutions of higher learning, and toll facilities, contributed \$50 million, or 57% of current charges. At the same time, earnings on property and investments netted \$30 million in 1952 of which \$27.9 million was interest income.

Conclusion

From these case studies of revenue sources in selected state and local governments, several conclusions may be drawn: First, taxation is the primary source of income for state and local governments, but the revenue base is gradually broadening

to exploit non-tax revenues. Below the state level, governments tend to rely primarily upon the property tax for income; but local governments are subject to state control or supervision in determining income sources. At the state level, however, tax sources other than property levies usually constitute the primary source of revenue. In California, as we have seen, the sales tax contributes nearly one-half the general revenue. Second, intergovernmental aid is assuming greater importance both because of economic and administrative benefits and because of the growing realization that centralization of certain functions, such as highway construction, public welfare, education, etc., is necessary if all communities are to benefit equally. And finally, although there are many areas in state and local government fiscal structures that show similarity; nevertheless, there are about as many different over-all revenue patterns as there are state and local governments.

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